



'সমানো মন্ত্র: সমিতি: সমানী'

UNIVERSITY OF NORTH BENGAL

BBA Honours 3rd Semester Examination, 2021

CC7-BBA (303)

FINANCIAL MANAGEMENT

Time Allotted: 2 Hours

Full Marks: 60

*The figures in the margin indicate full marks.
Candidates should answer in their own words and adhere to the word limit as practicable.
All symbols are of usual significance.*

GROUP-A

Answer any two questions from the following

12×2 = 24

1. A company has to make a choice between three possible investments – Project A, B and C. The immediate capital outlay on each being Rs. 100,000. Each will continue for 5 years and it has been decided that a discount rate of 10% is acceptable for all three projects. The cash flow of these projects are as follows: 4+8

Cash inflows (Rs.)

Year	Project A	Project B	Project C
1 st Year	10,000	40,000	30,000
2 nd Year	20,000	35,000	40,000
3 rd Year	30,000	50,000	30,000
4 th Year	40,000	20,000	25,000
5 th Year	50,000	10,000	20,000

The discount factors at 10% are

Year	1	2	3	4	5
Discount Factor	0.909	0.826	0.751	0.683	0.621

Which project would you recommend under:

- (i) Pay-back period method
(ii) Net Present Value method.

2. The following items have been extracted from the liabilities side of the Balance Sheet of XYZ Co. as on 31st March 2021. 12

	Rs.
Paid up capital	
4,00,000 equity shares of Rs.10 each	40,00,000
Reserves and Surplus	60,00,000
Loans	
15% non-convertible debentures	20,00,000
14% institutional loans	60,00,000

Other information:

Year	Dividend per share (Rs.)	Earnings per share (Rs.)	Average market price per share (Rs.)
2020	4.00	7.50	50.00
2019	3.00	6.00	40.00
2018	4.00	4.50	30.00

You are required to calculate the weighted average cost of capital, using book values as the weights.

3. ABC Limited plans to raise Rs.100,000 from market. The company can issue shares of Rs.10 each. The finance executive explores the plan of issuing debt for raising the part of capital. He presents four different financing plans as noted below: 12

	I	II	III	IV
Equity	1,00,000	75,000	50,000	25,000
Debt @ 12%	Nil	25,000	50,000	75,000
Total financing	1,00,000	1,00,000	1,00,000	1,00,000

If the projected estimate of profit before interest and taxes is Rs. 20,000, you are required to find the most suitable financial plan for the company. Given the tax rate is 40%.

4. The following information is obtained from the books of Easter Manufacturers 12

	Cost per unit (Rs.)
Raw materials	60
Direct labour	40
Overheads	30
Total	130

Additional information:

Selling price	Rs. 200 per unit
Output	36,000 units per annum
Raw materials in stock	Average 4 weeks
Work-in-progress	Average 2 weeks
Credit allowed by suppliers	Average 4 weeks
Credit allowed to debtors	Average 8 weeks
Cash at bank expected to be	Rs. 15,000

It is further to be noted that work-in-progress is at 50% completion stage with full material consumption. Assume that production is sustained at an even pace during the 52 weeks of the year. All sales are on credit basis. You are required to estimate the net working capital. State any other assumption that you might have made while computing.

GROUP-B

5. Answer any *four* questions from the following: 6×4 = 24
- (a) A firm has sales of Rs. 20,00,000, variable costs of Rs. 14,00,000 and Fixed costs of Rs. 4,00,000. The firm has 10% Debt of Rs. 10,00,000 on its Balance Sheet. Find operating leverage, financial leverage and combined leverage. 6
 - (b) Explain in brief the sources of long-term and short-term finance. 6
 - (c) Explain the factors affecting capital structure of a company. 6
 - (d) Write a short note on Relevance of Dividend Decision. 6
 - (e) Earnings per share of ABC Ltd is Rs.10. If the company distributes 60% of the earnings as a dividend, find the value of a share of ABC Ltd. Given, the rate of investment is 15% and cost of capital is 10%. Verify the value of a share in the situation when the company pays 40% as a dividend. 6
 - (f) Enumerate the cases when NPV and IRR give conflicting results. 6

GROUP-C

6. Answer any *four* questions from the following: 3×4 = 12
- (a) What are the functions of financial management? 3
 - (b) Define Internal Rate of Return. 3
 - (c) What is the use of Capital Asset Pricing Model? 3
 - (d) What are the uses of cost of capital? 3
 - (e) What is financial risk? 3
 - (f) Write short note of “Wealth maximization”. 3

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